

MEMORANDUM FOR: Deputy Director for Administration

FROM: Hugh E. Price  
Director of Personnel

SUBJECT: FY 1988 Unfunded Requirement - Human Resource Modernization  
and Compensation Project

When the FY 1988 budget submissions were compiled last year, the Human Resource Modernization and Compensation Task Force (HRM&CTF) had not refined its preliminary design to the point where realistic FY 1988 and out year funds and position requirements could be presented and justified. The HRM&CTF has since made some progress in this area and OP will need resources amounting to 25X1 [redacted] during FY 1988 to begin implementation of some of the proposed system features and to prepare for FY 1989 and out year implementation phases of the remaining features. Attachment A to this memorandum is the summary listings of the requirements which can be accomplished in FY 1988 if funds can be provided.

Hugh E. Price

Attachments:  
As stated

25X1

1989-??

Directorate/Expenditure Center: DDA/OPInitiative Name and FY: Human Resource Modernization and Compensation ProjectDate of Full Operating Capability: To Be DeterminedCost Estimate:

(Dollars in Thousands)

1989	1990	1991	1992	1993

 25X1  
Fund  
Positions
Problem to be Addressed:

The DCI's National Foreign Intelligence Strategy, presented to Congress in 1987, included the intent to ensure the Agency's ability to address increasingly complex intelligence issues through the next several decades. The ability to do so rests entirely on the acquisition and maintenance of a work force that consists of dedicated and skilled employees and managers.

Proposal:

Planning and development of the proposed Agency HR management system began in FY87 and the early stages of implementation are scheduled to begin in FY88. Experimentation with non-GS pay systems that started with the Office of Communications in FY84 and the Agency Secretarial System in FY87 will be expanded to include other Agency occupations in several phases.

Justification of Proposal:

Significant changes in Agency mission, combined with demographic, social and economic trends, have surfaced the need for a strategic approach to human resource planning and management. The current Agency personnel management system must be improved to deal with the competitive environment we will face as we attempt to recruit and retain a quality work force.

Description of Funding Requirements:

(See Attachment B)

Coordination:

The Human Resource Modernization and Compensation Task Force, consisting of Senior Officers from each Agency Career Service, is in charge of the Project. Every Agency component will participate, as well as coordinate, in project development and implementation through their respective Task Force members.

Space Impact Statement: (TBD)

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### ASSUMPTIONS

1. DCI approves implementation of new system.
2. A phased implementation beginning with the banding of four occupations, consisting of:

25X1 Operations Officers [ ] employees)  
25X1 Project Management Engineers [ ] employees)  
25X1 Intelligence Analysts [ ] employees)  
25X1 Computer Systems and related professionals [ ] employees)

} tentative listing  
(to size the problem)

3. These occupations will be phased into the new system starting in the second quarter of FY88 and will continue through the remainder of the Fiscal Year.
4. Performance, SIS and MEIPP bonuses will be distributed at the end of the Fiscal Year for the entire year.

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(Dollars in Thousands)

FY88 FY89 FY90 FY91 FY92

25X1 Conversion to Pay for Performance-  
Prorated Step Increases

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At the time of conversion to the new pay system, we have decided that our people should receive compensation for those portions of the within-grade waiting periods they have completed toward their next step. To minimize long-term costs, we will provide one-time cash payments to each employee prorated for that portion of the waiting period completed toward the next step.

25X1 Costs for this conversion cost will be spread over approximately 3 years based on anticipated conversion of approximately [ ] professional employees in FY88, with the remaining population to be converted over the following two years.

FY88 FY89 FY90 FY91 FY92

25X1 Implementation of the Performance  
Award Program associated with the  
new pay for performance system

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The major component of the new pay-for-performance system will be a cash performance award system designed to reward current year performance without carrying costs into following years. Performance awards will be made annually at the end of the fiscal year to minimize internal administrative costs associated with distribution of awards and to maximize internal pay equity.

25X1 Cost projections for the performance award system assume that approximately [ ] professional-level employees will be placed into the system in FY88, with the remainder of the Agency population to follow over the next two fiscal years.

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25X1

FY88 FY89 FY90 FY91 FY92

Management Expert Incentives

A major objective of the new Human Resources System is to improve management accountability for management of resources. As a tool for achieving this objective, a new management expert incentive program has been structured that allows for performance awards of up to 15 percent of pay for those managers who demonstrate the greatest proficiency in effectively and efficiently managing resources under their control.

Cost projections for this program assume a phase in of the program over two years, with the costs to at a rate not to exceed the rate of Agency personal services growth.

25X1

FY88 FY89 FY90 FY91 FY92

SIS BONUS PROGRAM

With the increased accountability that Agency managers will have under the new system, we intend to extend bonus eligibility of our SIS population to 80 percent from the current 39 percent. The program costs projected include those costs projected for the current SIS bonus distribution plan. The proposed bonus distribution plan is designed to bring the Agency more closely into alignment with private sector executive compensation practices.

25X1

FY88 FY89 FY90 FY91 FY92

Salary Administration Support

To enable managers to effectively allocate their merit dollars to employees under their control, automated support is required to identify the population within the merit pool and to assure that projected merit distributions are within the allocated funding levels. External contractor support will be required to develop the software that will be required for this system. System specifications will be developed by the Office of Personnel based on the design features for the system developed by the Task Force and approved by Agency management. Current Agency hardware will be used for the system. This design and implementation effort will require approximately two man years of contractor support.

25X1

## Salary Schedule Maintenance

FY88 FY89 FY90 FY91 FY92

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On a biannual basis the Office of Personnel will review the Agency salary structure to determine its currency with the market. To support this effort, external contractor support will be required to develop the necessary market information that will be used to recommend salary structure adjustments to Agency management. Current OP personnel will be used to accomplish the Agency portion of the biannual reviews.

## Diagnostic Cost Model

25X1

(Dollars in Thousands)

FY88 FY89 FY90 FY91 FY92

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The projection of personnel costs in the new pay system is based on assumptions that periodically must be re-validated. If not, personnel service costs might escalate out-of-control.

Develop a computer model that projects future salary costs based on actual data on within-level-increases, promotion rates and cash awards. Validate assumptions on CIA personnel growth, attrition rate, EOD rate, and separation rate.

A computer model has been built that anticipates personnel service costs based on a series of assumptions. A new model is required that accepts the actual data from the new pay system and projects new personnel costs. This model also accepts actual data on head count, attrition data, EOD, and separation. The model must be able to isolate individual organization components so that local managers can understand the dynamics of the new pay system.

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Career Development  
System  
Positions

(Dollars in Thousands)  
FY88 FY89 FY90 FY91 FY92

Anticipated changes in skills needs and availabilities in the nineties make it essential that CIA develop an integrated human resource planning, budgeting and career development system that will ensure our ability to meet intelligence production requirements.

The Career Development System will require managers to become more involved in planning for human resource needs to match program needs, will ensure employees have current information on Agency skill needs to encourage self-development, and will include a feedback mechanism for improving the system.

25X1

25X1

Each employee will receive an occupation-specific career handbook outlining the career development, training, performance management, and pay administration procedures relevant to that occupation. Recruiters, human resource planners, and career counselors will use the books as reference guides to identify Agency skills needs. Books will be in loose-leaf form so updating can be made at minimal cost. Approximately [ ] books will be needed in FY88 to bring up the first sets of occupations into the new system, to train managers, publicize the new system, etc. Another [ ] books will be required in FY89. Outyear costs are for revisions and 10% additional printings for new employees and transfers between occupations. Career Handbooks also will be made accessible via CRT with the goal of gradually reducing the number of printed handbooks as more employees gain terminal access.

OP/Review Branch will serve as the focal point for initial publication of handbooks and will provide a coordination and edit function for revisions. Initial implementation will require drawing on personnel resources from throughout the Agency but will not require additional personnel. Maintenance can be done within current resource limits provided the entire regulatory process is automated.

25X1

Career advancement will be predicated on growth in skills outlined in the career handbooks. Supervisors will evaluate employees annually on skills proficiencies using an automated procedure that will cost [ ] including developmental and employee training costs.

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25X1 The BioProfile and automated Performance Appraisal System included elsewhere  
25X1 in the FY89 budget will provide the data base for implementing agency-wide  
automated succession and assignment planning capabilities. System design and  
development costs of [ ] will be incurred in FY88 with hardware  
acquisition, training, and implementation to be phased into FY89 and FY90 at a  
cost of [ ] respectively for access by 70 work stations.

*What  
is  
this*

25X1 Managers will participate actively in identifying and planning for human  
resource needs in concert with the budget process using automated planning  
tools tied to the corporate data base. [ ] will be needed in FY88 to  
define system specifications for an integrated long-term human resource  
planning system that will be implemented concurrently with the automated  
BioProfile and Performance Appraisal Systems. One personnel officer position  
(GS-12) and one clerical position (IS-02) will be required to implement this  
initiative including design, development and training, and to provide  
consulting assistance in the out years.

25X1 Overall system efficiency and effectiveness will be measured on a continuing  
basis by the Office of Personnel using the automated tools supplemented by an  
employee survey program. Design development and initial implementation and  
evaluation of a comprehensive and continuing program will require one (1)  
Industrial Psychologist (GS-14) and one (1) part-time Data Input Clerk (GS-04  
at 50% of time). Survey printing, distribution and computer analysis will  
cost an estimated [ ] initially with outyear costs averaging about  
two-thirds that amount for targeted and periodic full surveys.

Implementation will require close coordination with O/Comptroller, Directorate  
Resource Planning Staffs, OIT, and OP/Human Resource Systems Information  
Center.



(Dollars in Thousands)

FY88 FY89 FY90 FY91 FY92

25X1 Flexible Benefits  
Development and Implementation:

Personnel Services:

This initiative will allow introduction of a flexible benefits program in January 1989. Open season for this program will coincide with the normal benefits open season in November 1988. The major costs of a flexible benefits plan are the costs of the benefits provided. The flexible benefits plan can be designed to develop the desired cost level. This budget initiative assumes that, except for the additional costs of development and implementation, no new funds will be required in FY88 and FY89 for Benefits and FICA Contributions (SOC=1210). This initiative addresses only the costs of developing and implementing a new flexible benefits program.

Development costs for a new flexible benefits program include:

- conducting an employee benefits survey
- designing and pricing a flexible benefits program
- test marketing the program with Agency employees.

The implementation costs of a new flexible benefits program include:

- conducting a communications campaign to educate employees regarding their benefits choices, encourage program participation, and avoid unnecessary administrative expenses
- modifying existing manual and automated enrollment, claims processing, payroll, and human resource systems to accommodate a flexible benefits program

**Flexible Benefits Cost Breakout:**

**FY88**

25X1

[REDACTED] for new enrollment software  
[REDACTED] for claims processing software modifications  
[REDACTED] for payroll system modifications  
[REDACTED] for 30 percent software margin  
[REDACTED] for approximately 200 hours of consultant time  
[REDACTED] for first year communication expenses

**FY89 and outyears**

25X1

[REDACTED] for software modifications and maintenance  
[REDACTED] for miscellaneous administrative costs  
[REDACTED] for ongoing communications activities

(estimated training costs will need to be refined)

(Dollars in Millions)

Initiative Name: **Occupational Training**

FY 1988

FY 1989

FY 1990

FY 1991

FY 1992

STAT

Total Dollars

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